

TO: Members of the Board of Education
FROM: Randy A. Ehrenberg, Superintendent
RE: ***Overview - Proposed 2010-2011 Budget***
DATE: March 1, 2010

Introduction

This memo will enable Board members to have a broad overview of components in the proposed 2010-2011 budget.

The proposed budget was developed after the administration examined the instructional and support needs of the district through the Annual Evaluation process, the recommendations of schools and steering committees, and new program proposals. The Assistant Superintendent for Instruction, the Assistant Superintendent for Business and I closely reviewed over 1000 expenditure line items with those responsible for the various programs. There was much discussion with administrators about program and associated needs.

As in past years, our review focused on making certain that 2010-11 budget requests accurately reflect past expenditure trends and anticipated needs. Unlike other years, we have been hit this year by several waves of bad news related to the economy and the amount of State Aid we might expect to receive in 2010-11. Because of this, we have worked closely with our administration to determine several phases of expenditure cuts, in an attempt to trim next year's budget to a sustainable expenditure budget, given lower State Aid and other negative factors.

You will notice that the 2010-11 Schedule A includes new columns reflecting the results of this difficult work accomplished with the assistance of our administrators. Further, we have communicated the details of the draft budget and expenditure reductions with the leadership of our bargaining units. We feel that working together closely with all affected groups is in everyone's best interest. More than \$3.3 million of expenditures have been reduced from original budget submissions. It is, at this point, that we are ready to begin our formal budget process with the Board.

Following Board direction, we have included in Schedule A the proposed cuts in staffing (Schedule B), equipment (Schedule C), maintenance projects (Schedule D), Interfund Transfers (Schedule E). Given this year's difficult budget environment, there are no new programs and initiatives which cost more than our current schedule of academic classes.

Schedule

- A 2010-11 Preliminary Expenditure Budget Summary with revisions
- B Proposed Staffing Changes 2010-11 Budget
- C Equipment
- D Recommended Maintenance Projects
- E Interfund Transfers
- F New Programs and Initiatives, 2010-2011

Budget Overview

We, in North Colonie are proud of our student results; the fact that 96% of 2008-2009 Shaker High School graduates earned Regents diplomas and 70% earned advanced Regents diplomas, means that our district is among the highest performing districts in New York State. In order to continue to achieve these impressive results, North Colonie must continue to prioritize funds to provide sufficient instruction and support.

The enrollment projection for next year, 5,538 students, is 121 fewer students than the 2005-06 school year enrollment of 5,659 students, which did not include Maplewood students. Our projections show flat enrollment until 2012-13, then a gradual decline to 5,407 students by 2016-17.

We are somewhat uncertain about the growth in assessments. We will not have the Town's data on new property assessments until the summer of 2010. However, we have been advised by the Town Assessor's Office that we should assume no growth in assessments for 2010-11.

At this time, we are budgeting the Governor's proposal regarding State Aid in 2010-11, a \$1.8 million reduction from 2009-2010.

The most recent (December 2009) cost of living index is approximately 0.2%. We project that enrollment will remain stable next year, increasing slightly, from 5,528 to 5,538. Under our current projections, the elementary schools would lose 6 students, the junior high would decrease by 14 students and the high school would increase by 30 students.

It should be noted that projections the last two years have been overly optimistic, particularly at the elementary levels. Adjusting for Maplewood, there will be 200+ fewer elementary students next year than in September 2005. Birth data we receive from the Department of Health continues to trend downward, and new construction has slowed. Barring changes in these factors, we may be headed for a protracted period of declining enrollment.

Fixed Budgetary Increases

Most of our budget is spent on built-in costs such as negotiated salaries, benefits for teachers and staff, retirement costs, health and other insurances, contracted services such as special education costs, debt service, transportation and maintenance.

Salaries: The budget includes funds for contractual increases in salaries for certificated and classified staff. All contracts are settled and associated costs are reflected in the base budget.

Fringe Benefits: We have budgeted for an increase of about \$1.7 million or 10.36% in fringe benefits. This increase reflects large increases in both retirement systems rates, and an increase of 15.5% in health insurance costs.

Debt Service: Debt service expenses are now fixed into the foreseeable future, with the exception of EXCEL related debt, which will be issued in 2009-10, with the first payments

due in 2010-11. Debt Service expenditures are budgeted to increase in 2010-11 by approximately \$190,000 to \$4.942 million.

Contracted Services: The cost of contracted services (not counting debt service and contracted maintenance projects) is anticipated to decrease by approximately \$200,000. This decrease resulted from the removal of a \$260,000 item placed on the 2009-2010 budget based on a Governor's proposal related to Pre-School Special Education Costs for 2009-2010 that did not come to fruition.

Support Programs

Interfund Transfers: Interfund transfers are for two purposes. We have included \$200,000 for 2010-11 under Interfund Transfer to Special Aid Fund. This figure approximates the estimated amount needed to pay our share of the costs of summer handicapped students attending approved mandated programs, in accordance with the Governor's 2010-11 budget. The remaining costs are funded by New York State.

The second purpose is for \$1,025,000 for Transfer to Capital Projects, for construction projects as outlined on Schedule E.

Total Interfund Transfers for 2010-11 are \$1,225,000 or \$400,000 less than the 2009-10 budget.

Transportation: We anticipate bus purchases will decrease slightly from \$665,000 to \$570,100. For 2010-11, we would look to purchase three large buses, two small buses and one wheelchair accessible bus. Our updated multi-year plan will be enclosed under Equipment (Schedule C).

Maintenance: We have included the replacement of some old and deteriorating equipment as noted in the equipment listing (Schedule C). Enclosed is a listing of Maintenance projects (Schedule D). Please note that proposed maintenance projects for 2010-11 total \$210,000. This is \$41,300 less than the in-house projects budgeted for 2009-10.

Programmatic Needs

Textbooks and Workbooks: We project that the amount of funds budgeted for textbooks and workbooks will decrease by approximately \$3,000, or .80%. Of the total \$406,450, approximately \$48,450 is earmarked for library books which are not aidable. The balance is 100% aidable by New York State to a maximum of approximately \$358,000. If we don't spend at least \$358,000, we will not receive all of the possible aid the following year.

Supplies: There is a decrease of approximately \$222,000 or about 4.8% in supplies, which includes the cost of bus parts, instructional software, standardized testing materials, instructional technology software, paper and consumables including instructional computer supplies and custodial paper. This does not include certain maintenance projects for which we buy materials and perform the work in-house.

Equipment: While not included in the preliminary base budget, we have provided a separate schedule (Schedule C) of all proposed equipment. If approved in its entirety, equipment purchases would decrease by approximately \$906,000 or 41.48%. The major items include new buses, instructional technology, maintenance/custodial equipment, new musical instruments, and several copiers.

Substitute Teachers: For 2010-11, we are budgeting \$722,000, a \$22,000 or 3.14% increase over 2009-10.

Personnel Needs

As noted previously, our enrollment has declined over the last five years. In spite of the decline, we have added approximately 40 instructional staff over that time period, mostly related to State mandated and special education needs, and annexation with Maplewood. We are forecasting a slight increase in enrollment for 10-11, and with no new mandates this year, are not requesting any additional instructional staff. In fact, significant reductions to staffing levels are proposed on the included Schedule B.

Instructional Staff:

Elementary School: Proposed reductions include 8.45 FTE teaching positions: two positions at Maplewood, where we plan to combine four classrooms into two classrooms, three positions at Latham Ridge, where we plan to reduce the number of sections in grades 1, 2, and 3. At Boght Hills, we propose to reduce one section each of Kindergarten and first grade, due to small class sizes. We also propose reducing one section of 6th grade at Blue Creek. These proposed reductions will result in class sizes that remain comparable to other elementary buildings.

Further proposed reductions include .40 FTE Librarian at LO/MW, .20 FTE Elementary Art, and .40 FTE Elementary Music.

Shaker Junior High: We propose to reduce 2.2 FTE teaching positions. This number includes reductions of .80 FTE Math, .40 FTE Science, .60 FTE Reading (AIS) and .40 FTE Foreign Language

Shaker High School: We propose to reduce 4.8 FTE teaching positions. This includes reductions of 1.0 FTE Social Studies, 1.0 FTE English Language Arts, .8 FTE Math, .8 FTE Science, .4 FTE Foreign Language, .2 FTE Physical Education, .3 FTE Business Education, .10 FTE FACS and .2 FTE Art.

Non-Instructional Staff: We propose to reduce 9.0 FTE staff positions. These include not filling the vacant 1.0 FTE Purchasing Agent and the vacant 1.0 FTE Personnel Assistant II in the Human Resource Department. We also propose to reduce 1.0 FTE Bus Driver and eliminate the 6.0 FTE Elementary Building Assistants' positions.

Other: On schedule B, there are several shifts, moves and position upgrades already approved by the Board during 2009-10. They appear here as a reconciliation to our previous budget.

Revenue

It is always very difficult at this time of year to predict revenues given the lack of information about assessments and final State Aid. We have included the Governor's budget proposals for State Aid which amounts to approximately \$1.8 million less than budgeted for 2009-10.

We anticipate receiving approximately \$2.8 million in Building Aid on existing debt. We have also included \$2,856,587 in annexation aid. Please note that annexation aid is expected to decrease in future years, beginning in 2012-13.

We will assume no increase in assessments in accordance with information provided by the Town Assessor.

Finally, at this time, we estimate total revenue, not counting the tax levy and available Fund Balance, to be approximately \$21.3 million. This reflects the \$1.8 million cut in State Aid, a \$50,000 reduction in interest earnings due to lower rates, and other minor adjustments.

Further, for 2009-10, North Colonie estimated using \$5.6 million of total fund balance, thereby leaving approximately \$7.8 million in total fund balance. We estimate, at this time, that we will not need to use any fund balance. The estimated June 30, 2009 total fund balance will be approximately \$13.9 million.

At this time, the district anticipates a June 30, 2009 Unreserved Fund Balance of approximately \$6.9 million. Our proposed budget includes the usage of \$4.09 million of our Unreserved Fund Balance, leaving approximately \$2.8 million. This is approximately \$800,000 less than the approximate \$3.68 million allowed for the 4% unreserved, unappropriated limit. We also plan to use \$410,000 of the ERS Reserve to offset the much higher ERS rates in 2010-11.

As you think about the relationship between expenditures and revenues, it may be helpful to remember that an increase of approximately \$650,000 in expenditures would require an increase of approximately 1% on the tax rate.

Discussion

We have provided a summary (Schedule A) of the proposed 2010-11 Expenditure Budget. If everything known so far is included, the 2010-11 Expenditure Budget would be approximately \$91.05 million, a 1.06% increase in expenditures, the lowest increase in many, many years.

Given our revenue assumptions of \$21.3 million and use of \$4.5 million of Fund Balance (thereby leaving approximately \$2.8 million in the Unreserved Fund Balance), we are looking at the need to levy taxes at approximately \$65.3 million, or an estimated 3.44% tax levy increase.

North Colonie, like all of the more than 700 school districts in New York State, is facing one of the most difficult budget cycles ever. Unlike other districts, however, we have several positive factors working for us. We continue to receive annexation aid from the merger with Maplewood. We have declining enrollment that will allow some reduction in expenses

without adversely affecting program or students, and we have significant fund balances from which to draw to reduce the effect of State Aid reductions on our taxpayers.

In recent years, the Board has recognized the need to add to its reserves and fund balances, valued conservative budgeting and invested in the District's infrastructure. We have cultivated a trust with our District residents with excellent academic results combined with a reputation for financial responsibility. This has resulted in more than thirty consecutive years of voter approved budgets.

We look forward to sharing specifics of the 2010-11 Budget with you and working together throughout the budget process.

